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DIRECTORATE OF
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Intelligence Report

The Economic Situation in South Vietnam (Biweekly)

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

The interministerial committee for long-range economic development, which was established in early June by Prime Minister Huong, recently held its first meeting. It was revealed at this meeting that the director general of planning from the prime minister's office, rather than the minister of state for postwar planning, has been assigned to draw up a three-year development plan for the period 1970-72.

Retail prices in Saigon increased one percent during the two weeks ending 14 July and prices of almost all imported commodities were up slightly. Most of these increases were related directly to the recent increase in perequation taxes. Free market currency prices were generally stable, while the price of gold declined to its lowest level since the end of May.

ANNEX: Currency and Gold Prices (Graph)

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Economic Planning

1. Following presentation of the Joint Development Group (JDG) report on postwar economic development to President Thieu last May, the JDG was disbanded. The Vietnamese component of the JDG was dissolved and the US Development and Resources Corporation now operates under assignment from USAID and limits its activities with the staff of Vu Quoc Thuc, minister of state for postwar planning, to regional planning advice on the delta and I Corps. In early June Prime Minister Huong established an interministerial committee for long-range economic development (IC/ED) to "review, edit, and supplement" the effort of the JDG and to permit various GVN ministries to express their opinions on the policies and programs recommended in the JDG report.

2. The IC/ED, which is chaired by Minister Thuc, held its first meeting on 4 July. Ministry representatives ranged in rank from low-level technicians to a ministerial secretary general. The Ministry of Economy was represented by its acting director for research and planning. It was revealed at the meeting that the staff of the director general of planning from the prime minister's office has been assigned by the prime minister to work on a three-year development plan for the period 1970-72. The composition and guidelines of the new plan are to be discussed at the next meeting of the IC/ED which will be held at the Directorate General of Planning. It now seems clear that the three-year development plan will emanate from the prime minister's office rather than from Minister Thuc's staff as Thuc had previously indicated.

Prices

3. Retail prices in Saigon increased one percent during the two weeks ending 14 July, returning to the level of mid-June. The index of food prices increased slightly, but still was below the level of 16 June. Prices of some processed foods, however,

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reportedly have increased sharply as a result of the perequation tax increases levied on 12 June on a variety of imported goods and on the domestic production of beer. Nonfood prices have increased an average of one percent each week since mid-June, also reflecting in part the higher taxes on imported goods.

USAID Retail Price Indexes for Saigon
(1 January 1965 = 100)

	<u>All Items</u>	<u>Food Items</u>	<u>Nonfood Items</u>
2 Jan 1968	308	344	241
6 Jan 1969	400	443	319
30 Jun 1969	440	502	324
7 Jul 1969	435	494	325
14 Jul 1969	445	508	329

4. Prices of almost all imported commodities increased slightly during the two weeks ending 15 July to a level seven percent above that of 10 June. Most of the increases were directly related to the increase in perequation taxes, although higher prices for fertilizer were the result of increased demand during the rice planting season and a delay in the arrival of shipments because of the recent US dock strike. US Embassy officials estimate that prices of the commodities affected by the new perequation tax rates will rise by less than 15 percent and that the effect of these rates on the general price level will be substantially less.

Currency and Gold

5. Free market currency prices were generally stable during the two weeks ending 15 July. The price of MPC (scrip) was unchanged at 161 piasters per dollar, and the price of dollars increased only one piaster to 203 piasters per dollar. The price of gold leaf, on the other hand, declined seven piasters to 280 piasters per dollar, the lowest rate since the end of May. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

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